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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 000656

SIPDIS

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SUBJECT: SINGAPORE AND MALAYSIA: WAITING FOR THE ODD
COUPLE'S FINAL BOW?

Classified By: CDA Raymond Kengott for reasons 1.4(b),(d)

¶1. (C) Summary: In recent high-level exchanges, Singaporean and Malaysian officials signaled a desire to improve bilateral relations and overcome legacy disputes. Malaysia's new Prime Minister Najib Razak made overtures perceived as sincere in Singapore, and the two countries began talks to implement a long-stalled resolution of a land dispute. But in a tour of peninsular Malaysia, Singapore Minister Mentor Lee Kuan Yew (LKY) made some controversial remarks, and his old Malaysian rival, ex-Prime Minister Mahathir Mohamad, posted insulting blog entries about his visit. Though the mainstream press did not dwell on LKY's gaffes or Mahathir's invective, spirited on-line reaction to both shows that the LKY-Mahathir antipathy can still darken bilateral relations by evoking a strong public response. Singapore has concerns about the political vulnerability of Najib's government and has begun to cultivate contacts with Malaysia's political opposition. Singapore is also unsure how Malaysia's volatile racial politics are evolving. Embassy contacts suggest Singapore and Malaysia will struggle to enjoy a more mature relationship until their colorful ex-leaders finally exit public life. End summary.

Singapore and Malaysia Try to Move Forward...

¶2. (C) In high-level exchanges over the past two months, Singaporean and Malaysian officials signaled a desire to improve bilateral relations and relegate long-standing disputes to the past. Malaysia's new Prime Minister Najib Razak visited Singapore with several of his cabinet ministers, and Singapore's Foreign Minister George Yeo paid a follow-up visit to Kuala Lumpur. Ministry of Foreign Affairs (MFA) Deputy Director for Malaysia Constance See told Poloffs that Najib's warmth and apparent good faith during his Singapore visit generated a sense of opportunity, even euphoria, among politicians in both countries. Najib broached issues of interest to Singapore - for example, the need to modernize land transport links, possibly by building a controversial "third bridge" connecting Singapore to Johor. FM Yeo's subsequent Malaysia visit saw the two sides restart talks on implementing their long-stalled 1990 Points of Agreement on the disposition of Singapore railway land owned by Malaysia.

...but LKY and Mahathir Revive Past Acrimony

¶3. (C) Meanwhile, Singapore's Minister Mentor Lee Kuan Yew (LKY) and a handful of Singapore cabinet officials toured nine peninsular Malaysian states June 8-15. On this "fact-finding" trip - his first since 2005 - LKY met with both ruling party and opposition officials, and he made

remarks that rankled some observers. Datuk Nur Jazlan Mohamed, an UMNO politician from Johor, said in a June 26 lecture in Singapore that the LKY visit generated "a lot of unhappiness" in Malaysia. In his very first meeting, LKY asked some Malaysian Chinese Association dignitaries how the Chinese were being treated in Malaysia, and he later posed for a photo with three Malay UMNO officials in which, according to Nur Jazlan, it looked as if the Malaysians were paying him homage. Dr. Ooi Kee Beng, a Malaysian opposition sympathizer and researcher at Singapore's Institute of Southeast Asian Studies, told Poloffs LKY annoyed many when he appeared to link the construction of the "third bridge" with Malaysia's willingness to sell sand to Singapore for use in land reclamation projects, a sensitive topic. LKY also ignited a public argument between the past (ruling coalition) and current (opposition) chief ministers of Penang by remarking that the state's infrastructure was inferior to that of several other Malaysian states.

¶4. (C) Unable to let his 85-year-old nemesis leave Malaysia unscathed, 83-year-old ex-Prime Minister Mahathir Mohamad began sniping on his blog toward the end of LKY's visit. Referring to LKY as the "little Emperor" of a "tiny Middle Kingdom," Mahathir recited a litany of old irritants - Singapore's purchase of water from Malaysia at a controversial price, Malaysia's refusal to sell sand to Singapore, disputes over land links between the two countries - and sneered, "All those who met the great man from the little country were lectured on how Malaysia should be run." According to Nur Jazlan, Penang's Chief Minister said that is exactly what happened in his meeting with LKY. Dr. Ooi's Malaysian contacts told him that LKY alienated his hosts by

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talking instead of listening; Ooi called the visit a "fact-dropping" rather than a fact-finding trip. Nur Jazlan compared the two former leaders to the bickering "odd couple" from American television. The rancor inadvertently stirred up by LKY, together with Mahathir's catty blogging, dominated the blogosphere's discussion of the visit, though the mainstream press downplayed this aspect of the trip on both sides of the causeway.

Singapore Looks Askance at Malaysian Political Developments

¶5. (C) Singapore's engagement with its northern neighbor appears conditioned by uncertainty over Malaysia's political future. According to the MFA's Constance See, Singapore is ready to do business with Malaysia but is waiting to find out if the Najib government will be a stable interlocutor, given its domestic political challenges. To Nur Jazlan Mohamed and Ooi Kee Beng, LKY's visits with several opposition officeholders reflect a Singaporean belief that either of the two Malaysian political coalitions could form the next government. Although See minimized the significance of LKY's meetings with opposition figures by noting that such officials visit Singapore regularly, she concurred that Singapore intends to maintain communications with leaders in both factions, consistent with FM Yeo's July 2008 statement that "We deal with whoever is in power." Ooi added that LKY's visits to nine states - an unprecedented local-level engagement by a Singapore official of his stature - had investment as the main subject of discussion and may have been a deliberate signal that Singapore has alternative negotiating partners if the Malaysian federal government proves unresponsive.

¶6. (C) Singapore sees Malaysia as absorbed in its own economic problems and therefore difficult to engage on other issues at present. Constance See said that, according to the consensus at Singapore's MFA, Najib regards the Malaysian economy as his primary political challenge, with foreign policy concerns secondary at best. For this reason, she and her MFA colleagues have modest expectations for development of the bilateral relationship, despite Najib's recent

overtures. Singapore also worries that Malaysia's economic policies will be politicized in a manner alien to Singapore's technocrats. After accompanying LKY on his trip, Singapore's Finance Minister Tharman Shanmugaratnam told the Embassy's Treasury attache he feared the Malaysian government would counterproductively "punish" its two largest exporting regions for political reasons because they are under opposition control.

Racial Politics Color the Bilateral Relationship

17. (C) As a Chinese-majority, Malay-minority city-state on Malaysia's border, Singapore pays close attention to the racial dimension of Malaysian politics. Though LKY's question about Malaysia's treatment of its Chinese citizens shows this interest is not always expressed tactfully, his meetings with opposition politicians, including representatives of Islamist party PAS, may reflect a belief that Malaysia's racial politics are changing. According to Ooi Kee Beng, LKY tried to persuade Penang's Chief Minister that young Malays are less "ethnocentric" and more liberal than their elders. Ooi wondered aloud whether LKY's interest in meeting PAS officials arose from a dramatic increase in Chinese voters' support for PAS in the recent Perak by-election, where municipalities with 90-plus percent Chinese residents voted for the party. Ooi and Nur Jazlan agreed that Singapore and Malaysia still view each other through the lens of racial politics. Citing recent uncertainty over whether Malaysia would extradite recaptured terrorist Mas Selamat Kastari to Singapore, Ooi pointed out the unspoken racial dimension to this bilateral issue: Mas Selamat is an ethnic Malay as well as a Singaporean citizen, so Singapore is loath to push for his return, and Malaysia is reluctant to send him back.

Old Personalities Continue to Set the Tone

18. (C) Constance See told Poloffs that while the current Prime Ministers of Singapore and Malaysia would like to put their countries' relationship on a new footing, the bilateral dynamic remains driven to some extent by the personalities of the two former leaders, LKY and Mahathir. As long as this is

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true, opportunities to move decisively past old disputes will remain limited, she said. (Comment: See's remarks appear to overstate the former leaders' influence on current policy, at least on the Malaysian side, where she unsurprisingly apportioned most of the blame for any difficulties. However, the fact that the Singapore MFA's Deputy Director for Malaysia proffers such a jaundiced view as her agency's consensus is significant in itself. End comment.) Nur Jazlan recommended putting the two men together in the same house so they could "talk each other to death" and leave everyone else in peace.

19. (U) Embassy Singapore previewed this cable with Embassy Kuala Lumpur.

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